

Part D: The New Medicare Prescription Drug Law Implications for Medicaid

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Medicare Prescription Drug, Improvement, & Modernization Act (MMA) of 2003

P.L. 108-173

- Prescription drug discount card
- Part D prescription drug benefit
- Many other changes (not discussed today):
 - Increased Medicare reimbursement for hospitals, physicians, rural health providers, & managed care
 - Changed coverages for durable medical equipment, lab, ambulance, dialysis
 - Indexed the Part B premium and deductible
 - Replaced Medicare + Choice with *Medicare Advantage*
 - Created “Health Savings Accounts”

Part D Drug Benefit: The Basics

- Coverage is to begin: Jan. 1, 2006
- Enrollment: Voluntary
- Initial enrollment period: ... Nov. 15, 2005
for 6 months
- Annual enrollment periods: Nov. 15 to Dec. 31
- Premiums: Est. \$35/month in 2006
*Those who don't enroll initially, or who don't maintain
continuous coverage, will pay higher premiums*
- Employers: Incentive subsidy to
maintain retiree Rx benefit
28% between \$250 & \$5,000

Help with Prescription Drug Costs

Two steps

1. Medicare-Approved Drug Discount Cards
 - Temporary program (2004-2005) to help until coverage is available
2. Prescription drug coverage begins January 1, 2006

Medicare Prescription Drug Coverage

- Coverage begins January 1, 2006
- Available for all people with Medicare
- Provided through
 - Private prescription drug plans
 - Medicare Advantage plans
 - Some employers and unions for retirees

Everyone Agrees: It's Hard to Understand All the Details

“You choose a prescription drug plan
and pay a monthly \$35 premium.
Okay, now it gets a little complex...”

- Reader's Digest April 2004 ...

Who can join?

- Drug coverage is for all people with Medicare
- All will have access to at least two Medicare prescription drug plans
- Extra help for people with limited resources
- Most people with Medicare must choose and enroll in a Medicare prescription drug plan to get drug coverage

People with Limited Resources

- Extra help with their Medicare drug plan cost
- People with the lowest incomes
 - Pay no premiums or deductibles
 - Pay small or no copayments
- Those with slightly higher incomes
 - Pay reduced deductible
 - Pay a little bit more out of pocket.

Extra Help – Medicare Prescription Drug Program

- Joint effort between Social Security Administration (SSA) and Centers for Medicare and Medicaid Services (CMS)
- Low income subsidy - >150 FPL
effect on premium, co-pays & coverage

Applications being mailed beginning May 27,
2005 to August 15, 2005 – 20 million
applications will be mailed by SSA

Dual Eligibles

- Jointly eligible for Medicaid and Medicare
- Deemed eligible for low income subsidy
- 200,000 duals in Michigan

Enrolling in a Drug Plan

- Join between November 15, 2005, and December 31, 2006
 - Coverage will begin on January 1, 2006
- Join between January 1, 2006 and May 15, 2006
 - Coverage will begin the first day of the month after the month joined

How the Plans Work

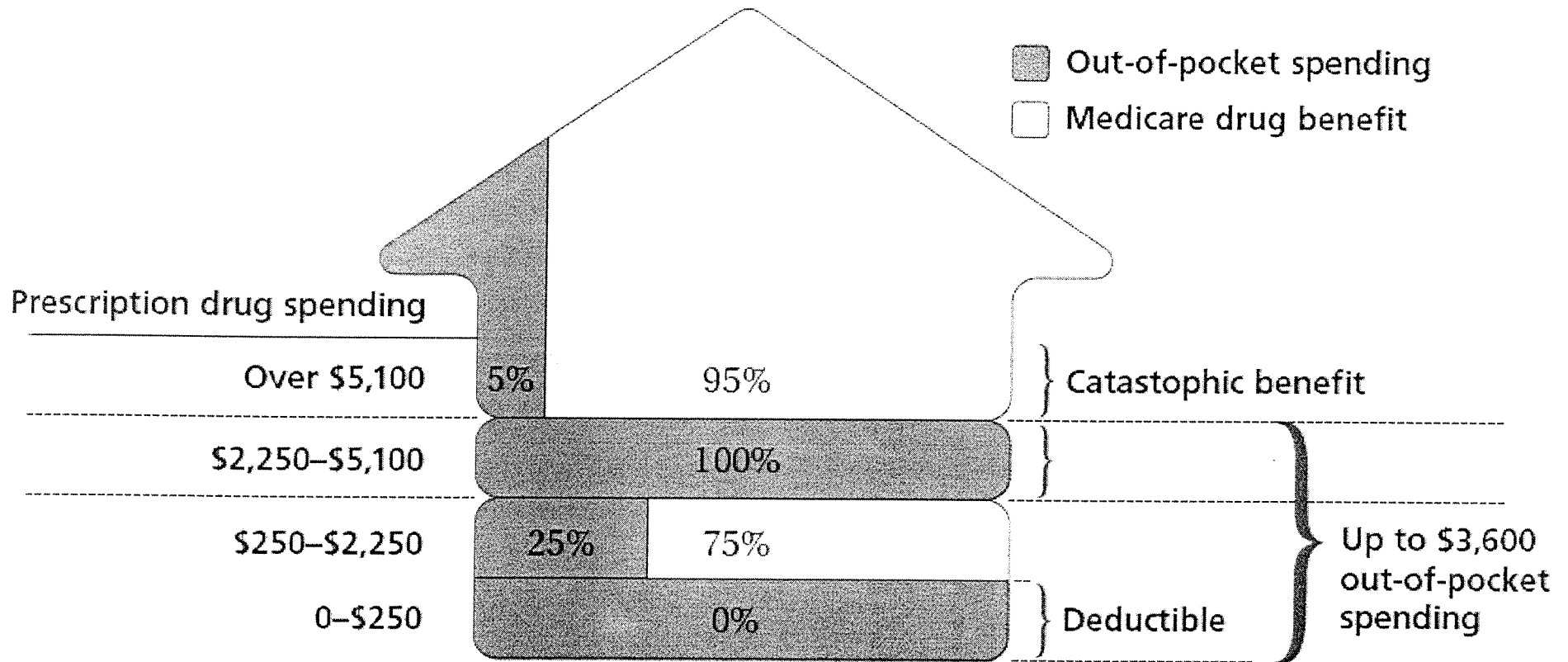
- Must offer basic drug benefit
 - Standard benefit
- May offer supplemental benefits
 - Enhanced benefit
- Can be flexible in benefit design
- May begin marketing in October 2005
- Must follow marketing guidelines

What it Costs...How it Works

Pay a premium of about \$37 each month

- Plans will vary
 - Some may offer coverage that looks like the standard benefit
 - Others may look different, but are worth the same
 - Some will include additional drug coverage
 - Premiums will vary based on
 - What each plan offers
 - Where it is offered

How it Might Work in 2006



Note: Premiums not included.

How it Works for Retirees

A retiree has a choice as to whether to enroll in a Medicare drug plan

- Former employers or unions will provide more information to retirees before the drug coverage begins in 2006
- Employers may choose to work with Medicare to offer a variety of retiree drug benefit options including taking a federal subsidy
 - Subsidy will cover some of companies' drug costs
 - Unless their retirees enroll in a Medicare prescription drug plan

Impact of Medicare Part D on the States

- Assist in the transition of the Duals from Medicaid to Medicare for Prescription Drug Coverage
- Outreach and customer support for lower income beneficiaries
- Diminished Medicaid market share will mean less ability to negotiate supplemental rebates
- State participation cost - clawback

Clawback Basics

Clawback Formula

Multiply:

$$\begin{array}{l}
 \text{1} \\
 \text{Per Capita} \\
 \text{Monthly Amount} \\
 \\
 \times \text{2} \\
 \text{Full-Benefit Duals} \\
 \text{Enrolled in Month} \\
 \\
 \times \text{3} \\
 \text{Monthly Factor} \\
 \text{Adjustment}
 \end{array}$$

Clawback Total Amount



A	x	B	x	C	x	D
1/12th CY 03 Rx Payments ÷ Full-Benefit Duals		State Match Rate [1-FMAP] For Clawback Month		Mfg Rebate Percent		Growth Factor

For a month in:	Factor
2006	90%
2007	88.33%
2008	86.67%
2009	85%
2010	83.33%
2011	81.67%
2012	80%
2013	78.33%
2014	76.67%
2015 & After	75%

The Clawback

The Key Fiscal Impact on Medicaid

- The federal Medicare Part D benefit is funded in part by states through a “phased-down state contribution”
- Clawback is based on 2003 actual state per-capita Medicaid pharmacy costs for dual eligibles, trended forward

Important Dates

- May 2005
Applications for Help with Medicare Prescription
Drug Plan Costs Available
- October 2005
Medicare & You mailed
- October 13, 2005
Begin comparing plans
 - www.medicare.gov
 - 1-800-MEDICARE
- November 15, 2005
Begin enrolling in plans
- January 1, 2006